



FH  
[REDACTED]

**STATE OF WISCONSIN  
Division of Hearings and Appeals**

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In the Matter of

[REDACTED]  
[REDACTED]  
[REDACTED]

DECISION

BCS/169107

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**PRELIMINARY RECITALS**

Pursuant to a petition filed September 29, 2015, under Wis. Stat. § 49.45(5)(a), to review a decision by the Washington County Department of Social Services (the agency) in regard to Medical Assistance, a hearing was held on November 10, 2015, at West Bend, Wisconsin.

The issue for determination is the agency correctly ended the Petitioner's BadgerCare+ benefits effective October 1, 2015.

NOTE: The record was held open until the end of the day to give the agency an opportunity to provide the Petitioner's paystubs and tax return. They have been marked collectively as Exhibit 9 and entered into the record.

There appeared at that time and place the following persons:

**PARTIES IN INTEREST:**

Petitioner:

[REDACTED]  
[REDACTED]  
[REDACTED]

█

Respondent:

Department of Health Services  
1 West Wilson Street, Room 651  
Madison, Wisconsin 53703

By: Julie Williamson, Lead Economic Support Worker  
Washington County Department of Social Services  
333 E. Washington Street  
Suite 3100  
West Bend, WI 53095

ADMINISTRATIVE LAW JUDGE:

Mayumi M. Ishii  
Division of Hearings and Appeals

**FINDINGS OF FACT**

1. Petitioner (CARES # [REDACTED]) is a resident of Washington County.
2. In August 2015 the agency sought verification of Petitioner's income and requested his 2014 income taxes. (Exhibit 7)
3. On September 15, 2015, the agency sent the Petitioner a notice indicating that as of October 1, 2015, his BadgerCare+ benefits would be ending, because his household was over the program limit. (Exhibit 5)
4. On that same day, the Petitioner called the agency and indicated that there was a change in income. (Exhibit 7)
5. The Petitioner filed a request for fair hearing that was received by the Division of Hearings and Appeals on September 29, 2015. (Exhibit 1)
6. On October 15, 2015, the agency sent the Petitioner a notice of proof needed, requesting verification of his income. The notice indicated that the verification was due by October 23, 2015. (Exhibit 4)
7. On October 26, 2015, the agency sent the Petitioner a notice, indicating that he was denied BadgerCare+ benefits, because he did not provide the required proof. (Exhibit 3)

### **DISCUSSION**

BadgerCare Plus (BC+) is a state/federal program that provides health coverage for Wisconsin families. *BadgerCare + Eligibility Handbook (BEH) §1.1.1.*<sup>1</sup>

The income limit for BadgerCare+ eligibility, for an adult, used to be 200% of FPL, but effective April 1, 2014, the legislature changed the income limit to 100% the Federal Poverty Level. *BEH §16.1*

In determining eligibility for BadgerCare+ under the newer "MAGI" rules, all taxable income must be counted. *BEH §16.1* However, certain deductions from income are allowed:

#### 16.3.2 Pre-Tax Deductions

Under MAGI rules, pre-tax deductions will be allowed if the payments are taken out of the individual's paycheck on a pre-tax basis. Examples include but are not limited to:

1. Health Insurance premium payments, including pre-tax premium payments for medical, dental or vision plans
2. Health Savings Account (including flexible spending accounts) contributions
3. Retirement contributions
4. Parking & Transit costs
5. Child Care Savings Account contributions
6. Group Life Insurance premium payments

#### 16.3.3 Tax Deductions

Under MAGI rules, monthly expenses related to the following tax deductions from page one of the IRS Form 1040 will be allowed as income deductions for the current year, even if the individual does not plan on filing taxes. If the expense is not incurred on a monthly basis, it will be prorated and counted as a monthly expense.

Most of these deductions are not common, and they do not include itemized tax deductions, like charitable contributions or mortgage interest.

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<sup>1</sup> The BadgerCare+ Eligibility Handbook may be viewed on-line at:

<http://www.emhandbooks.wisconsin.gov/bcplus/bcplus.htm>

In addition, a few deductions have caps, as noted in detail below. If an individual reports and verifies a monthly expense that is more than the monthly cap, the deduction will be the amount of the cap.

1. **Student Loan Interest** Interest on a loan taken to pay for school expenses for the following persons at the time the loan was taken out:

- His or her spouse;
- His or her child under age 19; or
- His or her child under age 24 who was a student, lived with the individual for more than half a year, did not provide more than half of his or her own support for that year, and did not earn more than \$3,900 during that year.

Do not count interest on a loan used for anything besides paying for education or if a relative or employer gave the loan.

This deduction is capped at a monthly amount of \$208.

2. **Higher Education Expenses** Includes tuition and amounts paid for books or fees, but only if those amounts are required to be paid to the institution as a condition of enrollment or attendance. This deduction may not be claimed for expenses that were paid with tax-free educational assistance. Grants and scholarships used for tuition and fees are generally non-taxable, therefore this deduction cannot be claimed for the portion of tuition and fees that were paid for with grants and scholarships. This is capped at a monthly amount of \$333.
3. **Self-employment Tax Deduction** Applies to individuals who are self-employed, who owe self-employment tax, and who are able to deduct a portion of the self-employment tax they pay. Only deduct the portion that the person can deduct on their tax return (as calculated on Schedule SE), not the entire amount of self-employment tax that is paid.
4. **Spousal Support, Alimony or Maintenance** The amount paid for court ordered spousal support, alimony or maintenance or payments under Section 71 for a current or prior spouse as a result of a legal separation or divorce. Do not deduct more than the court ordered amount. Do not allow any deduction if the court order designates the payments as being non-taxable.
5. **Teachers' Tax-Deductible Expenses** Applies to K-12 teachers who have up to \$250 in out-of-pocket work expenses (expenses not paid for by the employer). This is capped at a monthly amount of \$21.
6. **Self-employed SEP, Simple or Qualified Plan Contributions**  
Examples of these plans include:
  - Simplified Employee Pension (SEP) Plan
  - Savings Incentive Match Plan For Employees (SIMPLE)
  - Qualified Plan Contributions
7. **Penalties for Early Withdrawal of Funds** Penalties to a bank or financial institution for withdrawing funds early from a savings account where money must be left in the account for a fixed period of time, such as a time saving account, certificate of deposit (CD) or an annuity.
8. **Performing Artists Tax-deductible Expenses** Applies to performing artists who have out-of-pocket business expenses not paid by the employer and meet the following criteria:
  - Worked for at least two employers who each paid at least \$200;

- Did not earn more than \$16,000 for his or her work in the current year; and
  - Out-of-pocket expenses were more than 10% of his or her earnings.
9. **Military Reserve Members' Tax-deductible Expenses** Applies to travel expenses for members of the Armed Forces Reserve who travel more than 100 miles away from home to perform work for the Armed Forces Reserve.
  10. **Out-of-pocket Costs for a Job-related Move** Applies to individuals who paid out-of-pocket expenses for a job-related move and meets the following criteria:
    - The move must be for a job-related reason, such as starting a new job, and
    - The new job must be at least 50 miles farther from the individual's old home than the old home was from the individual's old job or must be at least 50 miles from the old home if the individual did not have a job before.
  11. **Loss from Sale of Business Property** Applies to self-employed individuals that had a loss from the sale or exchange of property that they owned for their business.
  12. **Individual Retirement Account (IRA) Contributions** Applies to individuals who had income from a job and made contributions to an individual retirement account (IRA). Also applies to self-employed individuals who made contributions to an IRA they set up themselves.
  13. **Fee-based Official Tax-deductible Expenses** Applies to individuals who are fee-based officials and have out-of-pocket business expenses. Examples of fee-based officials include chaplains, county commissioners, judges, justices of the peace, sheriffs, constables, registrars of deeds or building inspectors.
  14. **Domestic Production Activities Deduction** Applies to self-employed individuals who led the production of things like property, electricity, natural gas, or potable water, as long as these things were produced in the United States. This also applies to individuals who invented or created software, recordings, or films in the United States.

**Note:** This deduction is not common.

15. **Allowable Write-in Expenses** These deductions include:
  - Contributions to Archer MSAs
  - Deductions attributable to rents and royalties
  - Certain deductions of life tenants and income beneficiaries of property
  - Jury duty pay given to the employer because the juror was paid a salary during duty
  - Reforestation expenses
  - Costs involving discrimination suits
  - Attorney fees relating to awards to whistleblowers
  - Contributions to section 501(c)(18)(D) pension plans.
  - Contributions by certain chaplains to section 403(b) plans

#### *BEH §16.3*

It is the agency's contention that Petitioner's household income exceeds the established income limits and as such, he is not eligible for benefits.

It is undisputed that the Petitioner has a household of four people. 100% of FPL for a household of four people is \$2020.83 per month. *BEH §50.1*

Petitioner has earned income from a cereal company. The Petitioner provided four paystubs to the agency in August 2015. (Exhibit 9) The paystubs show no pre-tax deductions. Those paystubs show an average of 27.75 hours worked per week, at \$11.90 an hour. So, Petitioner's earned income works out to be:

$$27.75 \text{ hours} \times \$11.90 \times 4 \text{ weeks per month} = \$1320.90 \text{ per month.}$$

The Petitioner also has self-employment income from a newspaper route, which the agency calculated using the Petitioner's 2014 tax return. (Exhibit 8) Line 12, of the tax return shows self-employment income to be \$13,427. So, Petitioner's monthly self-employment income is:  $\$13,427 / 12 \text{ months} = \$1118.92 \text{ per month.}$

The Petitioner's 2014 tax return also showed pension income on line 16b. The agency counted this income. However, the Petitioner testified that those were one-time payments he received after his mother died. Exhibit 2 corroborates this. In Exhibit 2, there is a letter from one insurance company dated August 12, 2014 acknowledging the death of Petitioner's mother and indicating the value and directing the Petitioner to complete certain forms to initiate a death claim. There is also a form 1099 from another insurance company showing a large gross distribution, but a taxable amount of only \$1,402.42. It indicates the bulk distribution was made from "employee contributions/Roth contributions/insurance premiums."

Because the annuity payments were one time payments made in 2014, as part of an inheritance, they would not be counted as taxable income in 2015.

Petitioner's total household income, before deductions, works out to be:

\$1320.90
+\$1118.92
<hr/>
Total: \$2439.82

Petitioner's income taxes show deductible self-employment taxes, in the amount of \$949. *See* BEH §16.3.3 Tax Deductions, paragraph 3.

The monthly deduction works out to be:  $\$949 / 12 \text{ months} = \$79.08$

Thus, Petitioner's total, taxable household income is:

\$2439.82
-\$79.08
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Total: \$2360.74

Petitioner's taxable income of \$2360.74 is over the 100% FPL income limit of \$2020.83 per month. The agency correctly ended the Petitioner's BadgerCare+ benefits.

### **CONCLUSIONS OF LAW**

The agency correctly ended the Petitioner's BadgerCare+ benefits, effective October 1, 2015.

**THEREFORE, it is**

**ORDERED**

The petition is dismissed.

### REQUEST FOR A REHEARING

You may request a rehearing if you think this decision is based on a serious mistake in the facts or the law or if you have found new evidence that would change the decision. Your request must be **received within 20 days after the date of this decision**. Late requests cannot be granted.

Send your request for rehearing in writing to the Division of Hearings and Appeals, 5005 University Avenue, Suite 201, Madison, WI 53705-5400 **and** to those identified in this decision as "PARTIES IN INTEREST." Your rehearing request must explain what mistake the Administrative Law Judge made and why it is important or you must describe your new evidence and explain why you did not have it at your first hearing. If your request does not explain these things, it will be denied.

The process for requesting a rehearing may be found at Wis. Stat. § 227.49. A copy of the statutes may be found online or at your local library or courthouse.

### APPEAL TO COURT

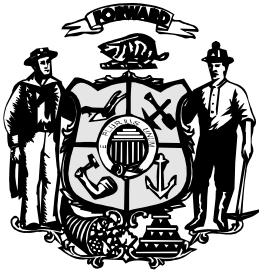
You may also appeal this decision to Circuit Court in the county where you live. Appeals must be filed with the Court **and** served either personally or by certified mail on the Secretary of the Department of Health Services, 1 West Wilson Street, Room 651, Madison, Wisconsin 53703, **and** on those identified in this decision as "PARTIES IN INTEREST" **no more than 30 days after the date of this decision** or 30 days after a denial of a timely rehearing (if you request one).

The process for Circuit Court Appeals may be found at Wis. Stat. §§ 227.52 and 227.53. A copy of the statutes may be found online or at your local library or courthouse.

Given under my hand at the City of Milwaukee,  
Wisconsin, this 8th day of December, 2015

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\sMayumi M. Ishii  
Administrative Law Judge  
Division of Hearings and Appeals



**State of Wisconsin\DIVISION OF HEARINGS AND APPEALS**

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The preceding decision was sent to the following parties on December 8, 2015.

Washington County Department of Social Services  
Division of Health Care Access and Accountability